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# Northwest Territories Legislative Assembly

# Standing Committee on Governance and Economic Development

Report on the Review of the
2002-2003 Main Estimates

Chair: Mr. Floyd Roland

105-00517/

Northwest Territories Legislative Assembly
Standing Committee on Governance and Economic Development

FEB 2 1 2002

THE HONOURABLE ANTHONY (TONY) WHITFORD, MLA
SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Governance and Economic Development has the honour of presenting its Report on the Review of the 2002-2003 Main Estimates, and commends it to the House.

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# Standing Committee on Governance & Economic Development Report on the Review of the 2002-2003 Main Estimates

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# Standing Committee on Governance & Economic Development Report on the Review of the 2002-2003 Main Estimates

## Introduction

The Standing Committee on Governance and Economic Development (GED) met from January 14 to January 25, 2002 to review the 2002-2003 Draft Main Estimates. The GED envelope includes the following departments, the Executive, the Ministry of Aboriginal Affairs, the Financial Management Board Secretariat (FMBS), Finance, Public Works and Services (PWS), Municipal and Community Affairs (MACA), Transportation, and Resources, Wildlife and Economic Development (RWED).

## General Comments

### Corporate Capital Planning Process

The Government informed the Standing Committee on Accountability and Oversight about its new Corporate Capital Planning process on September 25, 2001. The process was developed and implemented without input or approval from the Regular Members.

With the new Corporate Capital Planning process or CCP, there is only one Government capital target, with all Departmental projects competing for the same pool of available funding. Proposed capital projects are placed within a Primary Rating Criteria in the following priority: protection of people, protection of assets, protection of the environment, financial investment, and program need or requirement. Each project is then considered against a secondary criteria comprised of the following factors: scale of impact, severity of impact if the project is not completed, urgency of the project, and the ability to mitigate. The evaluation process is done by a Capital Review Committee made up of deputy ministers. It is the Capital Review Committee that determines which project would be chosen based on the new capital prioritization model.

Committee Members are concerned that as more responsibilities are transferred to the municipal level, the ability of communities to obtain the necessary infrastructure, human resources and funding to ensure the safe and effective delivery of local programs and services have become increasingly difficult.

Committee Members note that since the CCP's first priority is the protection of people, projects in larger, more populous communities would almost always obtain funding at the expense of smaller and less populous communities.

The Standing Committee on Governance and Economic Development is of the position that any capital planning process must also take into account essential programs and services such as health, safety and other priorities in the smaller communities. Committee Members pointed out that these communities, because of their smaller population, isolation and high operating costs have less financial and infrastructure capacity to deliver programs and services efficiently, effectively and economically than their larger counterparts. Furthermore, in many of the smaller communities, capital projects funded by the Government are often the only source of employment.

The Committee first brought attention to this issue during its review of the Government's 2002-2005 Draft Business Plans and referred it to the Standing Committee on Accountability and Oversight to allow for further input from all Regular Members. The Standing Committee on Accountability and Oversight recommended that the Government re-instate the letter of notification from the Premier to each Member, informing him or her of any changes to the capital plan in their riding. The Government subsequently agreed and advised all the Members that the notification letter protocol would be implemented during the preparation of the 2003-2004 Main Estimates.

## Placement of New Initiatives within the Executive

As stated in the Business Plans the Committee continues to have significant reservations about the placement of new initiatives in non-service delivery departments. Specifically, the placement of the Energy Secretariat and the Social Action Working Group within the responsibility of the Department of the Executive appears to be at odds with the Department's mandate.

The placement of specific initiatives within Departments that are not focussed on that particular area of expertise may lead to confusion both between departments and between Standing Committees of the Legislative Assembly that must evaluate the programs.

The Committee continues to assert that new initiatives should be placed within the most relevant department in order to ensure consistency and non-duplication of efforts.

## National Aboriginal Day and Living History Project

During the review of the Ministry of Aboriginal Affairs the Standing Committee on Governance and Economic Development noted a proposed $1,000,000 expenditure for a combined National Aboriginal Day celebration and pre-celebration events coordinated under the Living History Project. The Committee had a number of concerns about this project and brought them to the Standing Committee on Accountability and Oversight for review.

One of the first problems faced by the Committee was a lack of documentation from the Society outlining their plans and funding needs. In the absence of such documentation Committee Members were unable to ascertain the true value of this project and its need for half a million dollars.

Members also noted that funding for National Aboriginal Day celebrations and the Living History Project were combined in the budget of the Ministry, making it difficult to understand funding arrangements between the two. The Committee recommended to the Department that they split the two projects into separate line items. The Department agreed to this request.

Members of the Committee were concerned that the funding of one newly formed society for half a million dollars may set an inappropriate precedent for other non-profit agencies approaching the Government and expecting similar funding. Members would also like to be assured that the organization has sought funding from other sources and that funding from the GNWT will not be on going.

The Committee was also confused by the placement of this Society's application for funding within the domain of the Ministry of Aboriginal Affairs. It is the Committee's understanding that most cultural and historical organizations are funded through the Department of Education, Culture and Employment.

Due to these significant concerns the Committee recommended this issue for consideration to the Standing Committee on Accountability and Oversight.

As a result of both Committees' comments on this issue the Standing Committee of Governance and Economic Development is aware that there have been significant alterations to the funding proposal on behalf of the Living History project.

The Committee looks forward to addressing these changes during the review of the Government's Main Estimates in the House.

## Department of the Executive – Executive Offices

The Department of the Executive provides support and advice to the Executive Council and its committees. The Standing Committee on Governance and Economic Development met with the Premier and his staff on January 22, 2002 to review the Department's 2002-2003 Draft Main Estimates.

The Department of the Executive proposed a $1,148,000 decrease in its overall expenditures from the Business Plan. The decrease in funds is entirely due to the shift of the Intergovernmental Forum to the Ministry of Aboriginal Affairs.

### Placement of Social Agenda Initiative

As the Committee reviewed the Department of the Executive's Draft Main Estimates the Chairperson noted that the placement of the Social Agenda within that department opened the door for considerable discussion of social issues and problems that would usually fall under the domain of the Standing Committee on Social Programs. The Committee would once again like to recommend that that the Social Action Working Group or SAWG initiative be placed within the most relevant department, namely the Department of Health and Social Services.

The Committee was concerned that there did not appear to be collaboration between the Department of Health and Social Services and the SAWG. While the Department's Action Plan was announced in January of 2002, the recommendations of SAWG are not due to be released until the end of February 2002. The Committee is unsure how these recommendations will be incorporated into the Department's Action Plan or if they will be. The Committee would like to be assured that SAWG's recommendations would be considered in the plans of the Department of Health and Social Services.

The Committee was also made aware that SAWG's mandate was only recently and rather quickly written despite the group's previous meetings and significant funding. The Committee would like to be assured that this group has clear, established roles and responsibilities and a well-thought out action plan.

### Placement of Energy Secretariat

The Committee is aware that in addition to the newly formed Energy Secretariat in the Department of the Executive and the Hydro Secretariat within FMBS, there

are a number of other departments working on energy initiatives. The Committee would like to see a re-organization that incorporates all of these initiatives under one roof, in order to reduce costs and avoid duplication of efforts.

The Committee noted that Mr. Handley is in charge of the Energy Secretariat despite the fact that the Executive is the responsibility of the Premier. The Committee was informed that both Minister Handley and Minister Antoine are in the process of developing option papers regarding the co-ordination of both energy and environment initiatives. The Committee looks forward to reviewing the option papers once completed and offering its opinion on any new proposal.

## Environmental Protection

During the discussion of the possible re-organization of energy initiatives, the issue of environmental protection arose. While the Committee recognizes that environmental protection is largely a federal responsibility Members would like to be assured that the GNWT is monitoring the environment to prevent possible oversights by the federal government.

The Committee noted that the Premier in his recent Address to the People of the Northwest Territories of January 11, 2002 stated,

> Let me state categorically, this government is committed to ensuring that the land is protected for all our future generations, and for the duration of our term we will continue to work and to organize ourselves in ways that better reflect the important balance between environmental management and resource development.

The Committee recognizes that the federal government must do its share of the cleanup of sites throughout the North. However, the Committee acknowledges that the territorial government also has a responsibility to its residents to ensure that they live in a clean, safe environment. The Committee looks forward to reviewing the environmental options paper being prepared by Minister Antoine.

## Ministry of Aboriginal Affairs

The Ministry of Aboriginal Affairs is one of three separate and distinct programs operated within the Department of Executive. The Ministry coordinates the Government's participation in lands, resources and self-government negotiations and coordinating the implementation of final agreements.

The Standing Committee on Governance and Economic Development met on January 23, 2002 with Minister Antoine and his staff to review the Ministry's 2002-2003 Draft Main Estimates.

The Ministry of Aboriginal Affairs projected a $2,148,000 increase in its operation expenditures. This increase is due in part to the $1,000,000 funding for National Aboriginal Day celebrations and the Living History Project. The remaining $1,148,000 increase is due to the transfer of the Intergovernmental Forum from the Department of the Executive to the Ministry of Aboriginal Affairs.

### Implementation of Settled Land Claim Agreements

The Committee is concerned about the implementation process for Settled Land Claims in the Northwest Territories. The Committee is concerned that GNWT departments may or may not be properly adhering to the responsibilities and guidelines established by the Settled Land Claim Agreements. The Committee is also concerned that there does not appear to be a 'watchdog' element for the Ministry of Aboriginal Affairs to ensure that other departments follow the guidelines.

The Minister stated that if they become aware of a problem that they will address it with the other department. The Committee would like to see the Ministry with a clear responsibility in this area.

The Committee feels that there is a need for a government-wide policy and a consistent interpretation of that policy across all government departments.

The Committee also pointed out that there were a number of areas including, wildlife and forestry management where the GNWT has an obligation to pass legislation in order to fully implement Settled Land Claim Agreements in the NWT.

The Committee suggested that there be a point of contact for communities and organizations seeking assistance with specific land claims agreements and implementation plans. The Department agreed that that was an excellent suggestion and promised to look into it.

## National Aboriginal Day and the Living History Project

As stated previously under General Comments, Members of the Committee noted that $1,000,000 had been allocated for National Aboriginal Day celebrations, which included the Living History Project.

After further questioning, it was learned that the Living History Project had not been separately identified. Members requested a full breakdown of both projects and that the projects be separated in order to fully identify individual funding. The Department agreed to this suggestion.

Members also noted a lack of documentation explaining the plans of the Society and its funding requirements.

The Committee raised concern that the Living History Project appears to have been given special funding preference compared to other non-profit groups.

Members also pointed out funding for cultural groups usually comes through the Department of Education, Culture and Employment.

Finally, the Committee was also concerned with the amount of money allocated for this new initiative when other more vital programs could use the money.

The Standing Committee on Governance and Economic Development referred this item to the Standing Committee on Accountability and Oversight for review.

## Intergovernmental Forum (IGF)

The Committee noted the recent move of the Intergovernmental Forum to the Ministry of Aboriginal Affairs from the Department of the Executive. While the Committee recognized that the placement of the IGF fit well into the mandate of Aboriginal Affairs it was concerned to see that the IGF was not accounted for in the Ministry's accounting structure or activity descriptions. The Ministry

*responded* that due to the shuffle late in the year that they were unable to alter their Main Estimates. The Ministry stated that changes would be made before the Main Estimates went to the House for consideration.

## Federal Cost-sharing Funding Arrangements

The Committee remains confused about the placement of dollars for the IGF. The Committee noted that while federal funding was not yet confirmed for the continuation of the IGF, that the Ministry had still placed dollars within their budget for that purpose. However, when the Committee asked why there were no Ministry dollars set aside for the new Economic Development Advisory Forum under the IGF the Committee was told that it was because the Ministry had not yet received confirmation of funding from the federal government. This was also the case for Capacity Building. The Committee would like to see a more standardized reporting of funds that rely on cost sharing with the federal government.

## Funding for Negotiations

It was raised by the Committee that aboriginal groups may not have enough funding to adequately participate in self-government negotiations. Current funding arrangements lie with the federal government. Funds are offered as a loan against the final settlement after completion of Settled Land Claim Agreement. A number of communities are against this method of funding but do not have an alternative. In response the Ministry stated that negotiations are a federal responsibility and that the Ministry works with the federal government to encourage them to work with aboriginal groups. The Ministry suggested that it does work directly with aboriginal groups if groups approach them for help.

## Department of Transportation

The Department of Transportation provides for the safe, accessible and reliable movement of people and goods throughout the Northwest Territories. The Standing Committee on Governance and Economic Development met with the Minister of Transportation and his staff on January 15, 2002 to review the Department's Main Estimates for 2002-2003.

The Standing Committee noted a net $518,000 decrease in operations expenses for the Department from their 2002-2005 Business Plan. This decrease resulted from: a $887,000 increase in amortization expense; a $1,750,000 decrease for approved strategies and priorities resulting from a funding reduction for the Highway Investment Strategy from $1,850,000 to $100,000; and a $345,000 increase in other subsequent Financial Management Board (FMB) approvals to fund required enhancements to small airports and airfield security.

The Standing Committee also noted a net decrease of $16,000,000 in the Department's overall capital expenditures from its 2002-2005 Business Plan. This adjustment was attributed to: a $1,100,000 reduction in funding for the Mackenzie Winter Road Bridges; and a $14,900,000 decrease in funding for highways that resulted from a revision of the original Highway Investment Strategy.

## Use of Northern Businesses and Labour

The Standing Committee on Governance and Economic Development wants to ensure the maximum usage of northern labour and businesses in contracts issued by the Department of Transportation.

Committee Members pointed out that many northern businesses and local labour are more than qualified to do most of the Department's work. The Standing Committee is concerned that a significant portion of the work is completed by southern contractors or labour.

The Minister replied that northern content has improved over the past five years. At the request of the Standing Committee, he agreed to provide a breakdown of employees hired by Department contractors for as far back as the Department records would provide.

## Recruitment, Retention and Training

Some Committee Members made their concerns known to the Minister that more northerners would be hired if there were more training programs available and training is incorporated as part of a Department contract.

The Department replied that training dollars are a component of some contracts, but not all. However, they are making "best efforts" to ensure the selection or inclusion of northern businesses and labour in their contracts.

At the request of the Standing Committee, the Department agreed to provide a list of training money and the number of individuals that have received training through the Department or its contractors for the past five years.

## Gravel Access Roads

A number of Committee Members pointed out that, as there are initiatives to improve the highway system, there should also be initiatives to improve community access roads, especially to gravel sources.

Some Committee Members pointed out that community access roads that lead to gravel sites are particularly underfunded. For example, to build a gravel access road, the community requires gravel, but without ready access to a gravel source, a road is costly, if not difficult to build.

Gravel access roads are distinct and have unique requirements compared to community access roads that lead to historical, harvesting or recreational sites.

### *Recommendation*

***The Standing Committee on Governance and Economic Development recommends that a separate gravel access road program be incorporated within the Department of Transportation.***

## Community Access Roads

The Standing Committee was especially concerned about the low level of funding available to communities for the proper development of their community access roads. Committee Members are of the position that with the current annual maximum of $50,000 for a maximum period of five years (for a total of $250,000) for community access road projects, by the time a road is completed to some sites, it might take 10 to 15 years. Considering our adverse climate, short construction season and high operating costs, the current level of funding is inadequate.

Further, a number of Committee Members reported that once a segment of road is completed, part of next year's funding has to go to repairing the existing portion due to permafrost and wear and tear. Compare this level of funding to

public highway access roads, which receive the full amount of funding necessary to connect a nearby highway to a community.

The Standing Committee debated the merits of the current Community Access Roads program, and came to an agreement that the yearly amount be increased to $75,000, but the overall cap should remain unchanged.

## Corporate Capital Planning Process

The new Corporate Capital Planning process was developed and implemented by the Government prior to the 2002-2005 Business Plan review. The establishment of the new capital planning process was done without consultation of the Regular Members.

The Standing Committee is of the opinion that this process affects all Members and would like the Government to give a status report on the Corporate Capital Planning process to the Standing Committee on Accountability and Oversight.

This would give all Members an opportunity to express their concerns to the Government on the current process. The Government would then convey those concerns to Cabinet for possible amendments, if required.

In the Standing Committee on Governance and Economic Development's Review of the 2002-2005 Business Plans, Committee Members noted that:

> The new process removes capital planning from the departments and places the decision-making [firmly] in the deputy ministers' control and may leave communities and Regular Members without effective input.
>
> As a result of this new capital planning process, all GNWT capital projects now subject to a prioritization process, determined by the Capital Review Committee, which is made up of departmental representatives. The prioritization process is made up of a review of all capital projects screened through a new Primary Rating Criteria.
>
> The new Primary Rating Criteria places the protection of people first, followed by the protection of assets, protection of the environment, financial investment considerations, and then program needs or requirements. The Standing Committee is concerned that these

criteria, especially the protection of people, may lead to more projects being placed in larger, rather than smaller communities.

(Response to the Government on the Review of 2002-2005 Business Plans, November 13, 2001, p. 3)

The inflexibility of the Government's new capital planning process is particularly evident in the Department of Transportation's ferry operations. For example, when ferries encounter major mechanical breakdowns, in some cases, it may be more cost effective to replace an engine rather than to adhere to a strict maintenance schedule and engineer costly makeshift repairs. As a result, Committee Members would like to see the current capital planning process be more flexible and responsive.

## Highway Investment Strategy

The Standing Committee was concerned about expenditures to date resulting from the cancelled Highway Investment Strategy. The Minister explained that $178,000 was spent on salaries and $542,000 on other operations expenditures. No capital expenditures, including motor vehicles, were made.

The Minister assured the Standing Committee that he would not bring back the original Highway Investment Strategy. He added that he has gone to the private sector for advice.

The private sector has formed a lobby group, which includes the NWT Trucking Association. This group, which is led by the NWT Chamber of Commerce, plans to lobby Ottawa for more highway and other infrastructure funding.

As a result of the cancellation of the Government's original Highway Investment Strategy, the Minister offered to arrange an information session for the Standing Committee with the highway and infrastructure lobby group. The Standing Committee looks forward to meeting with the lobby group.

## Financial Management Board Secretariat

The Financial Management Board Secretariat (FMBS) reports to the Minister of Finance. FMBS manages and controls the Government's financial, human and information resources. The FMBS, the Ministry of Aboriginal Affairs and the Executive Offices make up the Department of the Executive. Each component submits their own Business Plans and Main Estimates for review by the Standing Committee on Governance and Economic Development.

The Standing Committee on Governance and Economic Development met with the Chair of the Financial Management Board and his staff on Wednesday, January 16, 2002 to review the Secretariat's Main Estimates for 2002-2003.

The Committee noted a $3,000 net increase in operations expenses for the Secretariat from their 2002-2005 Business Plans. This entire increase is attributed to a $3,000 decrease in the Secretariat's amortization estimates.

The FMBS did not propose any increase in its capital expenditures from their 2002-2005 Business Plans. However, Committee Members did recall that the Secretariat proposed a $985,000 increase to their capital plan in their 2002-2005 Business Plans from their 2001-2002 Main Estimates. This capital expenditure increase was due to a PeopleSoft upgrade of $800,000 and other improvements for the Financial Information System, and the Budgeting Development and Monitoring System.

### Placement and Co-Ordination of Energy Initiatives

The placement and coordination of the Government's many energy initiatives have been an ongoing concern of the Standing Committee. For example, the Energy Secretariat has been placed in the Executive Offices and the Hydro Unit has been placed within FMBS. A number of these initiatives have been placed within departments that do not have a clear mandate for those programs. The Committee first learned of these organizational anomalies in its review of the Government's 2002-2005 Business Plans.

Committee Members conveyed their concerns in the Committee's review of the 2002-2005 Business Plans to the Government and stated that:

> ... FMBS's role is to oversee the expenditures of the Government and not to directly participate in economic development. Economic

> development is part and parcel of the mandate for the Department of Resources, Wildlife and Economic Development (RWED). The Committee does not want to see funding going to towards FMBS for the development of programs and services outside its mandate.
>
> Committee Members noted that many departments, secretariats and agencies already have their own energy initiatives. The Committee concluded that a coordination and centralization of efforts [would lead to better results].
>
> (Response to the Government on the Review of the 2002-2005 Business Plans by the Standing Committee on Governance and Economic Development, p. 5)

During the review of the 2002-2003 Draft Main Estimates, the Minister advised the Standing Committee that the Government is considering two options, to either create a new Energy Ministry or place all of the Government's energy initiatives within RWED. The Committee stated that the Government's plan must ensure lines of accountability and authority are clearly identified and established.

The Minister reported that the proposed plan is due to be completed by the end of February 2002. At that time, the plan will be considered by Cabinet, and subsequently referred to the Standing Committee for further input. The Minister added that until a decision is made, the Hydro Unit would remain within FMBS. The Committee looks forward to reviewing the Government's options plan.

## Government-Wide Human Resource Plan

The recruitment and retention of human resources is an ongoing concern of the Standing Committee. The Government had procured a study to come up with recommendations to evaluate and improve its human resource management. The study is entitled, Report to the Government of the Northwest Territories Human Resource Management Study, December 2000, otherwise referred to as the Grant Thornton Report.

The Committee understands that an options paper on the report is being completed for consideration by Cabinet at the end of February 2002. The Committee looks forward to reviewing the Government's option paper and discussing other staff issues with the Premier.

## FMBS Human Resource Plan

FMBS is developing its own human resource plan. This plan is specific to FMBS and is not a government-wide human resource plan. The Minister informed the Standing Committee that the plan would be finalized and ready for implementation by July 2002.

In discussions with the Committee, some of the issues that were identified included the training and placement of more Aboriginal people in FMBS and competition with the private sector for the recruitment and retention of qualified personnel.

## Adherence to the Financial Administration Act (FAA)

A number of Members were of the position that stricter amendments must be made to the FAA to ensure all Members have timely and effective input into new initiatives, budgeting adjustments and other expenditures. Committee Members are concerned that new initiatives are announced with little or no input from Regular Members.

The Minister replied that he would do his best to notify Members of new initiatives and added that there needs to some flexibility in the FAA to respond effectively to emergencies. He further stated that there are guidelines for the use of supplementary appropriations, including special warrants, and Members are able to vote down appropriations.

## Power Subsidy and Power Rate Increases

The Committee expressed its concern to the Minister regarding the recent power rate increases in the majority of communities. The Minister explained to the Committee that the recent power rate increases by the Northwest Territories Power Corporation or NWTPC reflects the incremental costs of delivering power. Furthermore, he stated that an increase to the power subsidy is necessary to offset these increased costs.

The Committee commented that if fuel prices have dropped, there should be a resultant decrease in our power rates and a corresponding decrease in the Government's power subsidy program. The Minister replied that the NWTPC had to purchase fuel in advance at a fixed price.

Committee Members confirmed with the Minister that if the NWTPC were able to purchase fuel at a lower price for next year, there would be a decline in our power rates as well as a reduction in funding for the power subsidy.

### Financial Information System (FIS)

The Standing Committee reiterated its concern from the Business Plans that the Government's FIS would require replacement. During the review of the 2002-2005 Business Plans, the Committee heard from the Government that it has proposed additional capital funding to extend the operating life of the FIS through the next three fiscal years. The Department agreed that eventually, the current FIS system would no longer be economical or practical to maintain and stated that a replacement of the FIS is likely to cost between $10,000,000 and $15,000,000.

In the review of its 2002-2003 Draft Main Estimates, FMBS informed the Committee that over the next two years, it is conducting a business case analysis to determine how best to replace the FIS. It will compare different systems, and consult with users and clients. The Standing Committee would like the FMBS to ensure a proper implementation plan for this replacement process is established.

## Department of Finance

The Department of Finance is responsible for obtaining the financial resources to carry on the functions of Government, for intergovernmental fiscal negotiation and arrangements, for regulating the insurance industry, and for controlling the sale of liquor in the Northwest Territories.

The Standing Committee on Governance and Economic Development met with the Minister of Finance and his staff on Wednesday, January 16, 2002 to review the Department of Finance's 2002-2003 Draft Main Estimates.

The Committee noted a net decrease in the Department's operations expenditures in the amount of $1,236,000. This net decrease is attributed to a $500,000 increase in forced growth reflecting the forecasted increase in insurance premiums for Government assets; and a $1,736,000 reduction in other subsequent FMB approvals as the result of decreases in the Government's short-term interest expenses. The Department of Finance did not have any capital expenditures.

## Financial Reporting and Forecasting

Timely and accurate financial reporting and forecasting continue to be significant concerns for the Standing Committee. The financial health of the Government is of primary importance for members of the public and the Legislative Assembly. Without effective reporting and forecasting, an accurate picture of the Government's financial health is difficult.

For example, last year, the Government received what they referred to as a "one-time" net corporate tax windfall of $16,000,000. This year, the Government reported that it would receive another "one-time" net corporate tax windfall in the amount of $87,000,000 from the same filer. (GNWT Response to Standing Committee Report on 2002-2005 Business Plans, Financial Management Board, January 11, 2002, Other Issues no. 4)

The Committee is aware that corporate tax filers, like individual filers, are required by the Canada Customs and Revenue Agency or CCRA to make at least monthly installments on their projected tax payable. This tax payable is based on a corporation's or an individual's forecasted income for the upcoming tax year or on their income from the past year, whichever is less. Non-payment or underpayment of taxes payable would incur expensive interest penalties. In light of this tax requirement, it is possible that the Government would have been aware of any large corporate tax windfalls well in advance.

During the review of the Department, the Minister remarked that if he had been informed that there was additional money on its way that he would alert the Committee right away but that he did not expect anything for the next couple of months.

Committee Members found it coincidental then that the Government reported corporate tax windfalls on the first day in each of the Standing Committee's reviews of the Government's 2001-2004 and 2002-2005 Business Plans. The Government, in both instances had explained that they were notified either that morning or the day before by the CCRA. A few Members noted that if the Minister had been informed at the last minute of any corporate or other tax revenue windfalls by the CCRA, why would he state that he did not expect anything for the next couple of months? Some members added that, if the Department was not notified in a timely manner, this may draw into question the condition of this Government's working relationship with the federal government.

In short, good information is the foundation for good decisions. Accounting systems are an important source of this information. These issues are especially important given this Government's increasingly difficult financial circumstances. These concerns were conveyed to the Government in the Committee's Report on the Review of the 2001-2002 Main Estimates and the Committee's Response to the Government on the Review of the 2002-2005 Business Plans.

## Resource Revenue Sharing

The Committee suggested the establishment of a heritage fund similar to Alberta's. The Minister replied that it may be impractical at this time as most of the revenues from oil, gas, and diamonds go to the federal government. The Minister stated that, hopefully, after devolution, the NWT will see better revenues and for now, it may be more productive to invest in people and infrastructure.

The Minister apprised the Committee that the NWT will never reach a resource revenue sharing agreement similar to Alberta's. Alberta keeps 100 percent of the revenues arising from resource extraction. The Department further stated that the NWT would be lucky to keep 50 to 60 percent. Some provinces like Nova Scotia only get to keep 30 percent of their oil and gas revenues.

Committee Members suggested that, in order to improve on negotiations with the federal government, the NWT must develop a position, quantify potential revenues, study what has resulted in other jurisdictions, and develop options and alternatives.

## Expansion of Banking Services to More Communities

Banking services are limited in most NWT communities. The Committee would like to see more effort from the Government to encourage banks to set up services such as Automatic Teller Machines or ATMs in the communities. The establishment and the improvement of banking services would allow for bill payments and the disbursement of payroll and income support payments in the communities.

In response to the Committee's concerns, the Minister replied that in the next call for proposal for banking services, the Department will ensure banks develop a Northern specific banking regime and improve their services in communities to include ATMs and other services.

## Statistics

Committee Members would like the GNWT to improve its statistics work to ensure federal statistics such as population surveys are accurate, as a significant component of our Formula Financing Agreement is dependent upon the result. The Department should undertake steps to increase the use of our own Bureau of Statistics and northern firms to ensure that statistics remain current and accurate.

The Minister replied the NWT Bureau of Statistics has only 7 staff, but he agreed with the Committee regarding the increased use of northern firms. The Committee and the Minister were of the position that northern firms are more than capable of doing many of the surveys and this would also ensure a higher level of consistency in the compilation of statistics.

## Liquor Act

Some Committee Members would like to see more of the income generated from liquor sales be directed towards alcohol and drug programs. The Minister replied that this income is transferred to the GNWT's Consolidated Revenue Fund, which in turn, puts some of its money into social programs, including alcohol and drug programs.

The Committee will undertake to examine the most current Government review of the Liquor Act, review the current Act and then provide its concerns and recommendations to the Minister. The Minister agreed that he would consider any input made by the Committee.

## Department of Municipal and Community Affairs

The mandate of the Department of Municipal and Community Affairs or MACA is to provide community governments with the support to deliver public programs and services essential to good community life, to assist with the development and maintenance of community governments, and to provide the resources necessary to achieve community goals.

The Standing Committee on Governance and Economic Development met with the Minister of Municipal and Community Affairs and his staff on Friday, January 18, 2002 to review the Department's Draft Main Estimates for 2002-2003.

The Committee noted a $7,605,000 net increase in operations expenses from the Department's 2002-2005 Business Plans. This net increase may be attributed to: a $1,700,000 increase in other subsequent FMB approvals, due in its entirety to extraordinary funding for the community of Fort Simpson; and a $5,905,000 increase in other adjustments due to the reporting of infrastructure contributions as operations expenses instead of capital expenditures.

The Committee also noted a net decrease of $4,305,000 in the Department's capital expenditures from its 2002-2005 Business Plans. This net decrease is due to: $100,000 for the new Aklavik Curling Rink; $500,000 for the new Wha Ti Community Hall; $1,000,000 in new funding to address water treatment plants and system deficiencies; and a reduction of $5,905,000 as the result of a transfer of infrastructure contributions to operations expenses under a revised reporting process.

## Taxation

Band residents on band lands do not have to pay municipal property taxes. The federal government pays a grant in lieu to the territorial government.

A number of Committee Members reported that some Indian Affairs Branch lands or IAB lands are now being taxed. There is no evidence that those IAB lands in question have been transferred from the federal to the territorial government. This has been an ongoing issue with many of the Committee Members and to date, nothing has been clarified or concluded.

The Department replied that they are aware that the federal government is no longer paying taxes on IAB lands. Department officials added that they are not aware of any collection action being undertaken and will clarify this taxation matter with the Department of Finance. The Department will report back to the Committee on this issue. The Minister informed the Committee that if the Government cannot find confirmation that this is Commissioner's Land, then the Government will not be taxing anyone residing on those lands.

## Community Requirements and Capacity

Some Committee Members feel that the Department needs to be more responsive to community needs.

Committee Members added that it is difficult to effectively deliver programs and services when there is a lack of infrastructure. Furthermore, the acquisition of needed infrastructure is made more difficult by the new Corporate Capital Planning process. The new process does not take into consideration community priorities.

## Water Standards

The Committee is concerned about the maintenance of safe drinking water. Committee Members commented that there should be a coordinating authority to increase accountability and ensure standards are met.

The Department replied that it is responsible for funding the water facilities that are owned by the Government or the community. The Department of Public Works and Services is responsible for maintaining the facilities to the standards which are set by the Department of Health and Social Services. The NWT Water and Waste Association provides training for water plant operators. Some Committee Members commented that this confirms accountability in this matter is convoluted. If a timely resolution to a problem is necessary, a community would have to deal with three departments instead of one consolidated authority.

Furthermore, although training is provided by the NWT Water and Waste Association, recruitment and retention challenges will remain ongoing as long as communities are not given adequate funding to pay their staff competitive wages.

## Extraordinary Funding

The Committee learned that the community of Fort Simpson will receive extraordinary funding in the amount of $1,700,000. This amount would leave only $200,000 in the Department's extraordinary funding for other communities.

The Committee is aware that Fort Simpson has received extraordinary funding in the past. Documentation received from the Department confirmed that the community of Fort Simpson has received extraordinary funding in the amount of: $1,500,600 for its water and sewer system and for the replacement of its main street from 1997-1998 to 2000-2001; and $257,000 for deficit reduction in 2001-2002. (Information Items, Letter from MACA to the Committee, January 21, 2002, Attachment)

The Committee noted that as of the next fiscal year, Fort Simpson would have received $3,503,000 in total extraordinary funding since 1989-1990. Committee Members are concerned that extraordinary funding has evolved into a pool of money that is used as an additional source of funding for some communities such as Fort Simpson and Yellowknife. Most of our communities are being "penalized" for good financial management, while other communities use extraordinary funding for public works projects and paving. In short, some communities are being rewarded for bad financial management with extraordinary funding bailouts.

The Standing Committee on Governance and Economic Development suggests that the Department work more closely with Fort Simpson and other similarly managed communities to avoid extraordinary funding incidents in the future. Furthermore, the Committee encourages the adoption and implementation of debt recovery programs as an alternative to extraordinary funding as a proactive initiative to encourage good fiscal management.

## Funding for Youth Programs

The Committee learned that the Department has budgeted $750,000 for Youth Corps initiatives and $125,000 for other initiatives for youth.

However, the Minister Responsible for Youth, which is independent from this Department, does not have adequate funding for his youth initiatives.

Committee Members concluded that it may be more effective and efficient to combine the Minister Responsible for Youth with the Ministry of Municipal and Community Affairs.

### *Recommendation*

***The Standing Committee on Governance and Economic Development recommends that the Minister of Youth portfolio be amalgamated with the Department of Municipal and Community Affairs to facilitate and improve funding and program delivery for youth programs.***

## Department of Resources, Wildlife and Economic Development

The Department of Resources, Wildlife and Economic Development has the mandate to promote economic self-sufficiency through the sustainable development of natural resources and to enhance the creation of sustainable opportunities in the traditional and wage economies. It is also responsible for the promotion of sustainable development through the management and protection of the quality, diversity and abundance of natural resources and the integrity of the environment.

The Standing Committee on Governance and Economic Development met with the Minister of Resources, Wildlife and Economic Development and his staff on January 21, 2002 to review the Department's Draft Main Estimates for 2002-2003.

Committee Members noted a $1,098,000 projected increase in operations expenditures from the 2002-2005 Business Plans. This increase is largely due to $765,000 in approved strategies and priorities, as well as an increase of $172,000 due to forced growth; a decrease of $11,000 due to amortization and; an increase of $172,000 in other FMB approvals. The Department did not propose any additional expenditures to its capital from its Business Plan.

### Amalgamation of Business Support Programs

The Committee noted that the original plan to amalgamate the business development programs was introduced during the Business Plans process of October 2000 and implementation was planned for the fiscal year 2002-2003.

During the review of the 2002-2005 Business Plan for RWED, the Committee was informed that the Department had extended its period for public consultation and input until the end of January 2002. The Committee was also informed that amalgamation would not be implemented until 2003-04.

The Committee felt that the re-organization of business programs and loans into a one-stop shop corporation should be put in place sooner rather than later in order for entrepreneurs to take advantage of the current economic boom in the NWT. The Department responded that a legislative proposal would be coming forward shortly to amend the necessary Acts.

The Committee would like assurance that regional positions will not be reduced nor will service delivery in communities be negatively impacted by changes to business support programs. The Minister stated that there was no intent to alter present service delivery in the communities.

The Committee looks forward to having one business support organization to ensure equal funding for businesses throughout the NWT. The Committee is concerned that not all communities have equal access to Community Futures and other business development funding. A response to the recommendations made by the Business Program Review Committee has been provided by the Standing Committee to the Department. The Committee looks forward to having further input once the draft amalgamation policy has been provided.

## Business Incentive Policy Draft

The Committee commented that the development of a new Business Incentive Policy has been under review for some time now. The Committee recognizes that the current system does not adequately ensure that northern businesses benefit from northern contracts.

The Committee encourages the Department to bring the draft Business Incentive Policy to the Committee for review as soon as possible.

## Timber Inventory

The Standing Committee on Governance and Economic Development is extremely concerned that development on NWT land is going forward without the establishment of a complete timber inventory despite the Government's statements over the past six years.

> Hon. Stephen Kakfwi – "The Department of Renewable Resources is planning to do a comprehensive inventory of timber in the Western Arctic. Hopefully, the inventory will be done over a two or three-year period."
>
> (Northwest Territories Hansard, May 3, 1996, p.183)

Mr. Joe Handley – "We are going to try to identify extra dollars to be able to put into forest inventory. Up until now, we have been playing catch up with trying to keep ahead of the ongoing needs for inventory. It is possible that within five years, we could have a complete inventory of all commercial forest in the territories, but I would think it would take at least that long."

(Northwest Territories Hansard, March 2, 1998, p.1221)

Hon. Stephen Kakfwi – " We have probably just a very rough guess at what the market value of the forest inventory up and down the Mackenzie Valley is."

(Northwest Territories Hansard, April 29, 1999, p.449)

Hon. Joe Handley – "Mr. Chairman, I would estimate that it will take us three to five years to get caught up in the Deh Cho. If you look at the whole Mackenzie Valley, we are probably in the neighbourhood of ten years behind. As Mr. McLeod has mentioned, given the interest in the harvesting activity, we will give this a priority."

(Northwest Territories Hansard, June 27, 2000, p.207)

Hon. Joe Handley – "We do inventory on an ongoing basis in various regions of the Territories so it is an ongoing process that is at different stages in different regions. In the South Slave, the member's area, we are looking at a four or five-year process. We are basically at year one right now."

(Northwest Territories Hansard, November 6, 2001, p.673)

The Standing Committee notes that despite this current lack of a complete timber inventory for the NWT, timber permits are still being issued. It is the Committee's assertion that the issuance of all timber permits should be suspended until timber inventories have been completed. The Government must assure residents of the NWT that environmental protection is their first priority.

The Committee is also disappointed to see that despite considerable funding over the past decade to complete a timber inventory, the Government stated last year that we are now back at year one for completion. The Committee has requested information from the Department regarding the levels of funding for timber inventory over the past ten years.

If, as the Committee suspects, the Government is waiting for current outstanding land claims to be settled then it should publicly state that fact rather than consistently avoiding completion of the timber inventory.

However, if the Government simply lacks the sufficient regulations to exert their responsibilities in this area, the Committee would like to strongly suggest that the Government rectify the situation and move forward with this project.

The Committee will continue to monitor this pressing need for a complete timber inventory in light of the current development boom in the NWT.

***Recommendation***

> ***Given the historical nature of this problem the Standing Committee on Governance and Economic Development recommends that the Government complete a timber inventory by 2003-2004.***

## Fire Suppression

During its review of fire suppression issues, the Committee noted that as members of suppression crews reach retirement age they are encouraged to retire, relying on pension payments. However, the Committee was informed that it takes four years of suppression work to achieve one year of pension. Members of the Committee reported that there are now several cases of former suppression crew members having to rely on Income Support, as their pension plans are not enough to support them. The Department committed to looking at the problem.

## Community Protection Plans

The Committee noted that the Department is in the process of instituting a new fire protection process for communities and does not appear to be continuing the previous system of building fire breaks in high-risk communities. The Committee would like to understand why the Department appears to now be abandoning the fire breaks plan after promoting it vigorously for numerous years.

> Hon. Stephen Kakfwi – "This year, about $750,000 in funding has been provided to projects in 11 communities.... As well, several communities have

begun developing long term plans to incorporate habitat and forest management objectives into community protection needs."

(Northwest Territories Hansard, Oct. 3,1996, p.832)

The Committee would like to know if the fire breaks program is continuing and if so, how many communities were able to complete their community's firebreak. The Committee notes that the protection plan for the Department appears to have changed from the building of fire breaks to the development of community protection plans. A sudden shift of strategy means that valuable work from the past may be abandoned while the Department has to develop a new strategy, involving more expenditures. Continuity of plans and strategies within departments is important to ensure territory-wide coverage of fire protection for communities in the NWT.

The Committee is also disappointed to see that despite this new process to develop some sort of community protection plan, as of yet, no community appears to have one. The Committee feels strongly that communities may not be safe without these plans in place.

After questioning by the Committee, the Department agreed to a thorough review of forest management issues. The Committee encourages the Department to complete this review in a timely manner and looks forward to reviewing the results.

## Renewable Resources

The Committee remains concerned about the lack of an agricultural policy for the territories. The Committee urges the Department to develop a policy for this industry as they have for other sectors in the NWT.

A Committee Member also pointed out the lack of funding for fishing and agricultural industries in comparison to the funding provided for hunting and trapping industries. The Department committed to providing an analysis to the Committee on funding for the relevant resources. The Committee looks forward to reviewing this analysis.

While the commercial fishing freight subsidy has been in place for a number of years the Committee noted that only commercial fisheries in Great Slave Lake have been able to access this subsidy. The Committee asked that the

department review the use of this subsidy and the possible expansion of the program to include other commercial fishing operations. The Committee also suggested that there are inland lakes that may be able to sustain commercial fishery and urged the Department to look at the issue.

A Member raised the issue of the control of wildlife within municipal boundaries. While communities will routinely call the local Resources Officer to handle "problem" wildlife there does not appear to be consistency to the way in which the animal is handled. While some officers may attempt to trap the animal, others prefer to simply monitor it until it leaves the area.

During the discussion with the Department, the Minister stated that there was no departmental policy regarding the control of wildlife within municipal boundaries. The Committee is concerned that without a clear policy, residents of communities may be at risk from "problem" wildlife. The Committee urged the Department to develop an overall policy on this issue.

A Member of the Committee raised concern about the health of Dall Sheep in the NWT. The Department informed the Committee that the North American Wild Game Foundation in co-operation with the Department completed a study of the Dall Sheep last year. The Department offered to provide this report to the Committee.

The Committee was pleased to see that the Premier in his address to the people of the Northwest Territories on January 11th, 2002 stated,

> We will continue to work: to expand community and regional capacity to manage and monitor the environment...

The Committee is concerned that the majority of environmental monitoring of lands outside municipalities is left to the responsibility of the federal government. There is a feeling that the GNWT should be playing a larger role in monitoring environmental concerns in the NWT. The Committee would like to be able to assure residents of the NWT that the federal government is living up to its responsibilities.

## Economic Development Agreement (EDA)

The Committee noted the lack of an EDA such as the Western Economic Diversification Fund or the Atlantic Opportunities Fund.

Federal economic development funds directed to a certain region target the needs and specific economic concerns of that area. It is the Committee's position that an Economic Development Agreement for the NWT would support the considerable investments required for continued economic growth.

The Committee encourages the government to actively pursue federal funding through an initiative of this sort.

## Discussions with Pipeline Groups

The Committee has become aware that there are now a number of companies expressing interest in pipeline development along the Mackenzie Valley. The Committee felt that the GNWT might be limiting itself in opportunities for discussions with other groups by focussing its attention on one proposal.

The Committee urges the government to leave all options open in order to ensure the development of a pipeline proposal with the best possible rewards for the residents of the NWT.

## Regional Reorganization

Once again, the Committee must point out that the Government appears to have lost its focus and purpose on the Regional Reorganization Initiative announced in 2000. During the review of the 2000-2001 Main Estimates the Committee was told that responsibility for this initiative has now shifted to a ministerial committee.

The Committee simply restates its statement from the last Main Estimates review,

> The Committee urges Government to reassess their need for regional reorganization and, if it still exists, redefine and review this initiative.
>
> (Report on the Review of the 2001-2002 Main Estimates by the Standing Committee of Governance and Economic Development, p. 5)

The Committee has concerns regarding the representation of the Department in the regions. During the discussion about regional reorganization the need for a

new North Slave Dogrib region was raised. The Minister committed to a review of the issue.

**Maximizing Northern Employment (MNE)**

The Department informed the Committee that RWED, along with the Department for Education, Culture and Employment, participated in on-the-job training for private companies through the new MNE Initiative. The Committee is hopeful that training opportunities and student graduate hiring offered through the MNE will increase full-time permanent northern resident employment in the NWT. However, the Committee also wishes to ensure that northern businesses are the first to benefit from this new program.

The Committee asked if there was a policy or written guideline stating that northern businesses would receive first priority for programs under MNE such as the Private Business Development program which provides funds for businesses to hire and train northern employees. The Department stated that there are no formal guidelines and that local offices made decisions.

The Committee would like to see a formal process that places preference for northern companies over southern firms in applications for MNE funding. The Standing Committee is of the opinion that Northern residents should be the first to be trained under this program to promote a Northern workforce.

**Energy initiatives**

The Committee was informed that the Government would be bringing forth decision papers shortly with regard to the re-organization of energy initiatives. The Committee is looking forward to reviewing these decision papers and offering comments on the issue.

The Committee is aware that four departments are currently funding the Arctic Energy Alliance. The Department offered to provide a report done last year reviewing the Alliance's effectiveness in providing energy-savings programs. The Committee would like to be assured that energy initiatives are not being duplicated throughout the Government.

## Oil and Gas and Diamonds Directorates

With considerable oil and gas development being proposed for the NWT the Committee asked if there may be a need to have a specific Oil and Gas Directorate, focussed on assisting the communities as they negotiate and develop proposals to work with large international oil and gas companies.

The Committee also suggested that the Department should be actively investigating the possibility of developing value-added products for oil and gas. The Department committed to doing that.

The Committee noted that the focus of the Diamond Directorate appeared to be on the marketing of Arctic Diamonds. The Committee felt that marketing should be left to the individual companies and that the GNWT's focus should be on training and providing access to employment for northern residents in the diamond industry.

A Member of the Committee suggested that while the cutting and polishing of diamonds is an important sector, the large bulk of wealth from the diamond industry as a whole is in the brokerage area of trading rough diamonds. The Committee noted that the Government does not currently have access to rough diamonds from the NWT diamond mines. As a result, the Committee suggested that the Government may wish to pursue this avenue of discussions with any future diamond mine development.

## Oil and Gas Specialists for Communities

During the review of Departmental Business Plans and Main Estimates in May of 2000, the then Minister of RWED, Mr. Handley, informed the Committee that the Department had added three new regional petroleum advisor positions for the Sahtu, Inuvik and the Deh Cho region.

The Committee is concerned that despite this promise to provide regional oil and gas experts to date some communities do not have this help and are at a distinct disadvantage during crucial negotiations with oil and gas companies.

The Department agreed that empty positions do indeed need to be filled as soon as possible and promised to review the situation.

During questioning the Minister suggested that groups that had spent their own money attempting to negotiate with companies could request compensation from the Government of the Northwest Territories.

The Committee would also like to see a clear outline of how all the advisory groups and regulatory bodies co-ordinate their work and would link up with regional oil and gas specialists. Bodies such as the Mackenzie Valley Development Group and the Economic Development Advisory Forum under the auspices of the Intergovernmental Forum, as well as the numerous regulatory bodies connected with various government bodies need to have constant communication with regions to share information.

The Committee looks forward to hearing more information about the work of various groups involved in economic development of the NWT.

## Vacancies

During the review of the Main Estimates the Committee was informed that RWED once again has numerous vacancies, 73 for this year. This Committee has previously raised concern about the number of vacancies within RWED's department. While the Committee recognizes that some of those vacancies are seasonal, others are not and require the hiring of casuals and contract workers to fulfill those necessary roles. The Department informed the Committee that it currently has 39 casual positions for this fiscal year. The Committee would like to see these positions filled with permanent staff to ensure that necessary programs are being provided.

The Committee also remains concerned about the Department's admission that funds saved from vacancies are indeed being used for program funding. The Department stated that there have been cases where some money does get transferred, but the funds pretty much stay in the same program area.

The Committee is not re-assured by the Department's statement that the money is "pretty much" kept within the relevant division. The Committee would prefer to see vacancies filled and program funding within divisions maintained at a planned and consistent level.

Committee Members discussed the possibility of allowing the lapse of funding for vacant positions. The Government could then re-apply for funding for the next

fiscal year when additional staff is hired to fill vacant positions. The Committee will continue to monitor this situation and recommend changes to address this continuing problem.

## Department of Public Works and Services

The Department of Public Works and Services' (PWS) mandate is to provide services, support and leadership in the areas of: asset management, procurement, records management, computer systems and telecommunications, community fuel provision and community water systems.

The Standing Committee on Governance and Economic Development met with the Minister and his staff to review the 2002-2003 Draft Main Estimates on January 17, 2002.

The Department proposed an increase of $233,000 in its operation expenditures. The increase is due largely to a $183,000 increase in the Department's amortization estimate and, a $50,000 increase in other subsequent FMBS approvals.

### Review of POL Delivery, Supply and Pricing for the NWT

During the review of the Main Estimates the Committee noted that the current debt of the Petroleum Revolving Fund was very close to its legislated limit of $5,000,000 (Revolving Funds Act, Section 7(3)). The Department explained that previous years' lack of price increases failed to cover costs and led to the large build-up of debt.

The Department stated that an increase in the price of fuel would assist in the management of their current debt, however, the Department predicted a further increase in the debt of approximately $200,000 by the end of next fiscal year.

Committee members raised concern that the 16 communities serviced by the Petroleum Products Division would be unfairly held liable for the payment of this large debt.

In response, the Minister for Public Works and Services stated that he was prepared to recommend to the Financial Management Board that a portion of the

recovery fund be written off, prorated to the amount of involvement communities that have been privatized would have been paying. Committee Members look forward to seeing this recommendation, in order to assure their communities that they would not be held responsible for the full amount of the debt of the Petroleum Revolving Fund.

On January 23, 2002 it was announced that fuel prices were being increased in 16 remote settlements in the NWT by four-and-a-half cents a litre. Given that the world market price for fuel has declined drastically over the past six months Members would find it difficult to justify fuel increases for their constituents. Members are increasingly concerned about the high price of fuel in their communities and its resultant increases in costs to residents, businesses, government and non-profit organizations, especially in view of the low prices for fuel on the world market and in turn, communities serviced by private contractors.

The Committee would also like to point out that the legislated purpose of the Revolving Fund is to "stabilize the prices of petroleum products that are purchased, sold and distributed by the Government of the Northwest Territories." (Revolving Funds Act, Section 7(2))

Information provided in a recent letter informed the Committee that the proposed price increase for fuel has been rescinded. While Members are pleased to hear that their communities will not be charged more than originally anticipated for fuel, the Committee remains concerned about the entire issue of fuel pricing and the Petroleum Revolving Fund's considerable debt.

Discussions regarding the timing of the purchase of fuel and storage for remote communities made it clear that Members are disappointed in the performance of the Petroleum Products Division of Public Works and Services and its ability to stabilize fuel prices in the NWT.

The Committee was also disappointed to hear that a decision has not yet been made about the privatization of POL in communities. The Department stated that a decision regarding the Northwest Territories Power Corporation and privatization is expected for April 1, 2002. The Committee noted that it has been almost a decade since the then Committee of Finance recommended the complete privatization of all petroleum products delivery. The Committee also noted that in May of 1996 the Deputy Minister of the Department stated that it would take 12 to 18 months to accomplish privatization. The Committee looks forward to the decision on April 1, 2002 and a quick resolution to the matter of privatization.

## Contracting Out of PWS Work

During the review of the Main Estimates the Department of Public Works and Services stated that they were contracting out 88 percent of their work. The Committee pointed out that many communities are now capable of independently contracting out major infrastructure requirements. Some Members asked whether there was a need for a $30,000,000 dollar department that appears to be largely managing the contracting of projects as opposed to actually constructing them.

## Municipal Agreements

The Committee has in the past noted that municipal agreements are extremely limiting to communities in their ability to either complete necessary repairs using their own forces or to contract out for the work to be done. The contracts currently state that Public Works and Services must complete the repairs with or without notification of the community and that the Department may then bill the community for their services. The Community then has no option but to pay the bill presented despite the fact that they may have been able to complete the repairs with their own staff and equipment at far less cost.

The Committee stated that present municipal contracts are out of date and require re-negotiating. The Department initially stated that it was up to communities to approach the Department with a request to re-negotiate. Upon further questioning the Minister committed to providing communities with new draft agreements.

The Committee looks forward to seeing an update in the summer of 2002 on the response of communities to the new draft agreements and the number of which have signed agreements.

## Safety of Community Water Supply

Given recent events in the south regarding the safety of water supply the Committee requested assurances that all municipal workers responsible for water maintenance systems are fully qualified and trained. The Department stated that training to national standards is done by the Northern Territories Water and Waste Association. Site-specific training is then supplemented by the Department of Public Works and Services.

The Department also stated that they are currently reviewing equipment, facilities, employee qualifications and operating procedures and policies.

Further discussion in the area of safe water supply revealed that while roles and responsibilities between departments may have been clearly identified within the government there is still confusion in the communities about this complex system. When problems arise communities are often directed from one department to another without a clear understanding of the responsible department. The Committee is looking forward to seeing the results of the Department's review.

## Environmental audits

The Committee remains concerned about the completion of environmental audits. The Department replied that it has 22 sites on its list for clean up, mostly tank farms. They also stated that all first priority sites would be cleaned up next year. The Committee looks forward to seeing a progress report during the next Business Planning process.